

# Institutional Eligibility

*This chapter discusses the three types of institutions that are eligible to participate in the Federal Student Aid (FSA) programs. If circumstances change and a participating school no longer qualifies as an eligible institution, it must notify the Department of Education (the Department; see Chapter 5) and carry out the closeout procedures described in Chapter 9.*

Schools must apply to and receive approval from the Department regarding their eligibility to participate in the FSA programs before they can be certified for participation. Some schools apply only for designation as an eligible institution (they do not seek to participate) so that their students may receive deferments on FSA program loans or be eligible for the American Opportunity and Lifetime Learning tax credits or other non-FSA programs that require schools to be FSA-eligible. The same application is used to apply for both eligibility and certification for participation (see Chapter 2).

## TYPE & CONTROL

### *The three types of eligible institutions*

The law defines three kinds of eligible institutions: *institutions of higher education*, *proprietary institutions of higher education*, and *postsecondary vocational institutions*. Each type of school is eligible to participate in all the FSA programs, provided it offers the appropriate type of program (see the chart on the next page). This section covers the key elements of the three definitions, giving special attention to those requirements that affect the definition of an eligible program.

Although the criteria for the three types of institutions differ, it is possible for some programs at an institution of higher education to meet the requirements for a postsecondary vocational institution.

### *Institutional control*

The control of an institution distinguishes whether it is public or private, nonprofit or for-profit. By definition, an institution of higher education or a postsecondary vocational institution can be either public or private but is always nonprofit. A proprietary institution of higher education is always a private, for-profit institution.

## CHAPTER 1 HIGHLIGHTS

- Three definitions of eligible institutions
  - institution of higher education
  - proprietary institution of higher education
  - postsecondary vocational institution
- Basic requirements
  - Legal authorization by a state
  - Accreditation (and alternatives)
  - Admissions standards (high school diploma, recognized equivalent, homeschooling)
- Two-year rule for new proprietary or vocational schools
- Factors leading to loss of eligibility
  - Limitations
  - Bankruptcy or crimes involving FSA funds
- Criteria to participate in TEACH Grant programs
- Applying as an eligible nonparticipating school
- Withdrawals
- Program Participation Agreement

## Related information

- Eligible program—Chapter 2
- Closeout procedures—Chapter 9
- Applying to participate, *New School Guide*
- Eligibility of home-schooled and correspondence students—Volume 1, Chapter 1

## Assessing your school's compliance

To assess your school's compliance with the provisions of this chapter see the FSA Assessment module for "Institutional Eligibility," at:

<http://ifap.ed.gov/qahome/qaassessments/institutionalelig.html>

## Type and Control of Eligible Institutions

<i>Institution of Higher Education</i> A public or private nonprofit educational institution located in a state	<i>Proprietary Institution of Higher Education</i> A private, for-profit educational institution located in a state	<i>Postsecondary Vocational Institution</i> A public or private nonprofit educational institution located in a state
<p>The institution offers</p> <ul style="list-style-type: none"> <li>(1) associate, bachelor’s, graduate, or professional degree programs;</li> <li>(2) a program of at least two years that is acceptable for full credit toward a bachelor’s degree; or</li> <li>(3) a training program of at least one academic year that leads to a certificate or other nondegree recognized credential and prepares students for gainful employment in a recognized occupation.</li> </ul>	<p>The institution must</p> <ul style="list-style-type: none"> <li>(1) provide training for gainful employment in a recognized occupation or</li> <li>(2) have provided a program leading to a baccalaureate degree in liberal arts continuously since Jan. 1, 2009 (with continuous regional accreditation since Oct. 1, 2007, or earlier).</li> </ul> <p>Programs offered must meet the criteria of at least one category below:</p> <ul style="list-style-type: none"> <li>(1) They are at least a 15-week (instructional time) undergraduate program of 600 clock hours, 16 semester or trimester hours, or 24 quarter hours. They may admit students without an associate degree or equivalent.</li> <li>(2) They are at least a 10-week (instructional time) program of 300 clock hours, 8 semester or trimester hours, or 12 quarter hours. They must be a graduate/professional program or must admit only students with an associate degree or equivalent.</li> <li>(3) They are at least a 10-week (instructional time) undergraduate program of 300–599 clock hours. They must admit at least some students who do not have an associate degree or equivalent and must meet specific qualitative standards. Note: These programs are eligible only for Direct Loan participation.</li> </ul>	<p>The institution must provide training for gainful employment in a recognized occupation.</p> <p>Programs offered must meet the criteria of at least one category below:</p> <ul style="list-style-type: none"> <li>(1) They are at least a 15-week (instructional time) undergraduate program of 600 clock hours, 16 semester or trimester hours, or 24 quarter hours. They may admit students without an associate degree or equivalent.</li> <li>(2) They are at least a 10-week (instructional time) program of 300 clock hours, 8 semester or trimester hours, or 12 quarter hours. Must be a graduate/professional program or must admit only students with an associate degree or equivalent.</li> <li>(3) They are at least a 10-week (instructional time) undergraduate program of 300–599 clock hours. Must admit at least some students who do not have an associate degree or equivalent and must meet specific qualitative standards. Note: These programs are eligible only for Direct Loan participation.</li> </ul>

All three institutional types may also provide a comprehensive transition & postsecondary program for individuals with intellectual disabilities.

“Two-Year Rule” (applicable to proprietary and postsecondary vocational institutions): Legally authorized to give (and continuously have been giving) the same postsecondary instruction for at least two consecutive years.

## BASIC CRITERIA FOR ELIGIBLE INSTITUTIONS

To be eligible an institution must

- be legally authorized by a state to provide a postsecondary education program in that state,
- be accredited by a nationally recognized accrediting agency or have met the alternative requirements, if applicable, and
- admit as a regular student only individuals with a high school diploma or its recognized equivalent or individuals beyond the age of compulsory school attendance in the state where the institution is located.

These requirements are discussed in the following sections.

### LEGAL AUTHORIZATION BY A STATE

Generally, an eligible institution must be located in a state. A school is physically located in a state if it has a campus or instructional site in that state. There are exceptions:

- Institutions of higher education in the Federated States of Micronesia and the Republic of the Marshall Islands are eligible for purposes of the Federal Pell program.
- Institutions of higher education in Palau are eligible for purposes of the Federal Pell, FSEOG, and FWS programs.
- Foreign schools are eligible to participate in the Direct Loan program, subject to the rules for foreign schools in Subpart E of 34 CFR Part 600.

As noted, all types of eligible institutions must be legally authorized by a state to offer an educational program in that state. Such authorization occurs when, through a charter, statute, constitutional provision, articles of incorporation, or other action, an appropriate state agency or entity establishes the school by name as an educational institution and authorizes it to operate educational programs beyond the secondary level, including programs leading to a degree or certificate.

The school must comply with any applicable state approval or licensure requirements, except in cases where the state exempts the school from any requirements based upon the school being in operation for at least 20 years or upon its accreditation by one or more accrediting agencies the Department recognizes.

If a school has not been established by name as an educational institution but has been established by a state on the basis of an authorization to conduct business in the state or to operate as a nonprofit charitable organization, the school must be approved or licensed by name by the state to offer programs beyond secondary education, including programs leading to a degree or certificate. Such a school may not be exempted from the state's approval or licensure requirements based on accreditation, years in operation, or other comparable exemption.

### Definitions of eligible institutions

34 CFR 600.4, 600.5, and 600.6

#### Nonprofit institution

A school that is

- owned and operated by one or more nonprofit corporations or associations whose net earnings do not benefit any private shareholder or individual,
- legally authorized to operate as a nonprofit organization by each state in which it is physically located, and
- determined by the Internal Revenue Service (IRS) to be eligible for tax-deductible contributions in accordance with the IRS Code (26 U.S.C. 501(c)(3)).

#### State defined

"State" includes not only the 50 states, but also American Samoa, Puerto Rico, the District of Columbia, Guam, the U.S. Virgin Islands, and the Northern Mariana Islands.

Authorization by a state 34 CFR 600.4(a)(1)

#### Foreign schools eligible for Direct Loan Program

In general, by law, a foreign school can participate in the Direct Loan Program if the foreign school is comparable to an institution of higher education and has been approved by the Department.

The regulations set out specific requirements for foreign schools.

You can find additional information about foreign school eligibility on the Foreign School Information page on the IFAP website (<http://ifap.ed.gov/ForeignSchoolInfo/ForeignSchoolInfo.html>).

#### State authorization & alternatives

The criteria for a school to be considered legally authorized by a state were published in the Federal Register, October 29, 2010, as new section 34 CFR 600.9, effective 7/1/2011. GEN-11-05 (March 17, 2011) provided further guidance on state authorization.

**State process for complaints**

For a school to be legally authorized by a state, the state must have a process to review and appropriately act on complaints concerning the school, including enforcing applicable state laws. Note that schools must provide to students and prospective students the contact information for filing complaints with the state. This requirement applies to institutions otherwise exempt as religious institutions. (See the consumer information requirements in Chapter 6.)

**State authorization & distance education**

See Chapter 2 for requirements for state authorization for distance education programs.

**Definition of Indian tribe**

The institutional eligibility regulations (see 34 CFR 600.9) incorrectly cite 25 USC 1802(2); this will be corrected in the *Federal Register* to 25 USC 1801(a)(2).

The following are excepted from the state authorization requirements:

1. A school authorized by name by the federal government to offer educational programs beyond secondary education.
2. A school authorized by name by an Indian tribe [as defined in 25 USC 1801(a)(2)] to offer educational programs beyond secondary education, provided that the school is located on tribal lands and the tribal government has a process to review and appropriately act on complaints concerning the school and enforces applicable tribal requirements or laws.
3. A school that is considered to be a religious institution under the state constitution or by state law (see the margin note for the regulatory definition of religious institution).

A school must have evidence that it has the authority to operate in a state at the time of the school’s certification to participate in the FSA programs. For more information on applying for participation in the FSA programs, see the *New School Guide*.

How different types of schools meet state authorization requirements		
Legal Entity	Entity Description	Approval or Licensure Process
Educational Institution	A public, private nonprofit, or for-profit institution established by name through a charter, statute, articles of incorporation, or other action issued by an appropriate state entity as an educational institution authorized to operate educational programs beyond secondary education, including programs leading to a degree or certificate.	The institution must comply with any applicable state approval or licensure process and be approved or licensed by name. It may be exempted from such requirement based on its accreditation or being in operation at least 20 years.
Business	A for-profit entity established by the state on the basis of an authorization or license to conduct commerce or provide services.	The state must have a state approval or licensure process, and the institution must comply with that process and be approved or licensed by name. An institution in this category may not be exempted from state approval or licensure based on accreditation, years in operation, or a comparable exemption.
Charitable Organizations	A nonprofit entity established by the state on the basis of an authorization or license for the public interest or common good.	The state must have a state approval or licensure process, and the institution must comply with that process and be approved or licensed by name. An institution in this category may not be exempted from state approval or licensure based on accreditation, years in operation, or a comparable exemption.
Note: The chart does not take into account requirements related to state reciprocity or federal, tribal, and religious institutions that are exempt from these requirements.		

## ACCREDITATION

Generally, a school must be accredited or preaccredited by a nationally recognized accrediting agency or association (both referred to here as agencies) to be eligible.

Except as provided here, a school must be accredited by an agency that has the authority to cover all of the institution's programs. An agency such as this is referred to as the school's *primary accrediting agency*. A school can have only one primary accreditor.

A school may also be accredited by one or more programmatic accrediting agencies. A *programmatic accrediting agency* is one that accredits only individual educational programs that prepare students for entry into a profession, occupation, or vocation.

If a school is seeking to change primary accreditors, it must first provide the Department and the agencies all materials documenting the reasons for the change. Information on accreditation changes is in *Chapter 5*.

### *Alternatives to regular accreditation*

The law provides two statutory alternatives to accreditation by a recognized accrediting agency. First, a public or private nonprofit institution may be preaccredited by an agency or association that has been approved by the Department to grant such preaccreditation. Second, public postsecondary vocational educational institutions may be eligible for FSA funds if accredited by a state agency that the Department determines to be a reliable authority.

### *Primary accreditor*

The primary accreditor typically is an accrediting agency whose scope is institution-wide rather than only programmatic. A participating institution must advise the Department which accrediting agency it wants to serve as its primary accrediting agency for FSA eligibility. If a school offers only programs of a singular nature, the school's primary accreditor may be an agency that accredits only those specific educational programs.

### *Dual accreditation*

If a school is accredited by two agencies at the same time, the school must designate which agency's accreditation will be used in determining institutional eligibility for FSA funds and must inform the Department via the E-App. Further, the school must provide to the Department and to both agencies all materials documenting the reasons for dual accreditation before the school adds the additional accreditation. See *Chapter 5* for more on changes in accreditation and loss of eligibility.

## ADMISSIONS STANDARDS

An eligible institution may admit as regular students only persons who have a high school diploma or its recognized equivalent, are beyond the age of compulsory school attendance in the state in which the school is located, or are dually enrolled in the college and a secondary school. Admissions standards also play a role in student eligibility, as discussed in *Volume 1, Chapter 1*.

## Definition of religious institution

An institution that

- is owned, controlled, operated, and maintained by a religious organization lawfully operating as a nonprofit religious corporation; and
- awards only religious degrees or certificates including but not limited to a certificate of Talmudic studies, an associate of biblical studies, a bachelor of religious studies, a master of divinity, or a doctor of divinity.

34 CFR 600.9(b)(2)

## Nationally recognized accrediting agency or association

An accrediting agency or association that the Department has recognized to accredit or preaccredit a particular category of institution, school, or educational program in accordance with the provisions in 34 CFR Parts 602 and 603.

## Obtaining a list of recognized accrediting agencies

The Department periodically publishes a list of nationally recognized accrediting bodies in the Federal Register, based on criteria given in 34 CFR Part 602. The list of accrediting agencies recognized for FSA purposes can be found on the Department's website at:

[www.ed.gov/admins/finaid/accred/index.html](http://www.ed.gov/admins/finaid/accred/index.html)

The list of accrediting agencies recognized for their preaccreditation categories is in section 7. Information about national recognition of state approval agencies is in Section 10.

## Preaccredited:

A status granted by a nationally recognized accrediting agency or association to a public or private nonprofit institution that is progressing toward accreditation within a reasonable period of time.

Institutions of Higher Education (IHE)

34 CFR 600.4(a)(5)(i)

Postsecondary Vocational Institutions (PVI)

34 CFR 600.6(a)(5)(i)

## Alternatives to accreditation

Institutions of Higher Education (IHE)

34 CFR 600.4(a)(5)(i)

Postsecondary Vocational Institutions (PVI)

34 CFR 600.6(a)(5)(ii)

---

## Admissions standards

34 CFR 600.4(a)(2), 600.5(a)(2), 600.6(a)(2)

---

### Checking validity of high school diplomas

A school must evaluate the validity of a student's high school completion if the school or the Department has reason to believe that the high school diploma is not valid or was not obtained from an entity that provides secondary school education. This is discussed in detail in *Volume 1: Student Eligibility, Chapter 1*.

34 CFR 668.16(p)

---

### Regular student

A person who is enrolled or accepted for enrollment in an eligible program to obtain a degree, certificate, or other recognized educational credential. If a person is not yet beyond the age of compulsory school attendance in the state in which the college is physically located, the college may only enroll her as a "regular student" if she has a high school diploma or its equivalent or is dually enrolled in secondary school.

34 CFR 600.2

---

### Dual enrollment in high school

20 USC 1001(b)(2)(B), 1002(b)(2)(B) and (c)(2)(B)

---

### Admissions standards as a student eligibility issue

To be eligible for FSA funds, a student must have a high school diploma or its recognized equivalent or be beyond the age of compulsory attendance and meet the criteria for homeschooled students. Students who are dually enrolled in high school and college are **not eligible** for FSA funds. See *Volume 1, Chapter 1*.

---

### Related requirements

A school may not deny readmission to a service member of the uniformed services for reasons relating to that service. See *Chapter 3* for more information.

### High school diploma

A high school diploma is a document recognized by the state in which the high school is located. Unless required by its accrediting or state licensing agency, the college is not required to keep a copy of a student's high school diploma or General Educational Development (GED) certificate (the recognized equivalent of a high school diploma, see below). Rather, the college may rely on the student's certification (including that on the FAFSA) that he or she has received the credential and a copy of the certification must be kept on file. This certification need not be a separate document. It may be collected on the college's admissions application. The college may also require the student to provide supporting documentation.

### Recognized equivalent of a high school diploma

The following are the equivalent of a high school diploma:

- A GED certificate.
- A state certificate awarded after passing an authorized test and that the state recognizes as equivalent to a high school diploma.
- An academic transcript showing that the student has successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree.
- For a student seeking enrollment in a program of at least the associate degree level, documentation showing that he excelled academically in high school and has met the formalized written admissions policies of the college.

### Homeschooled students & compulsory school attendance

The Department considers that a homeschooled student is beyond the age of compulsory school attendance if the state in which the eligible institution is located does not consider him truant once he has completed the homeschool program.

For instance, if your state requires children to attend school until age 17, you may admit as a regular student a child who completes her secondary homeschooling curriculum at age 16 if your state would not consider her truant and would not require her to go to high school or continue homeschooling until age 17.

You may rely on a homeschooled student's self-certification that he completed secondary school in a homeschool setting, as discussed in *Volume 1, Chapter 1*, under "Academic Qualifications."

### Preparatory programs for students without a high school diploma or equivalent

A school that admits students without a high school diploma or its recognized equivalent (except homeschooled students) must make available to them a program that has proven successful in helping students obtain the equivalent of a high school diploma.

For example, such a program might assist a student in obtaining a GED certificate or the state certificate mentioned earlier. It could be a preparatory program conducted by state and local secondary school authorities, as well as a program for which the school has documentation that statistically demonstrates success. The school must provide information about the availability of the program to interested students.

The school does not have to provide the program or pay for its cost. The program must be offered at a place that is convenient for students, and the school must take reasonable steps to ensure that students have access to it, such as coordinating the timing of school programs and the preparatory program.

The law does not require a school to verify that a student is enrolled in a preparatory program or to monitor his progress in it. A student who does not have a high school diploma or its recognized equivalent is not required by law to enroll in such a program, but the school may make this an admission requirement.

A student may not receive FSA funds for the program.

### “TWO-YEAR” RULE FOR NEW PROPRIETARY OR VOCATIONAL SCHOOLS

To be eligible as a proprietary institution or a postsecondary vocational institution, a school must be legally authorized to give (and have continuously been giving) the same postsecondary instruction for at least two consecutive years prior to its application. The educational program(s) offered must remain substantially the same in length and subject matter except for changes made because of new technology or requirements of other federal agencies. A school subject to the two-year rule may not award FSA funds to a student in a program that is not included in the school’s approval documents.

If a school is subject to the two-year rule, during the school’s initial period of participation in the FSA programs, the Department will not approve additional programs that would expand the institution’s eligibility. An exception would be considered if the school demonstrates that the program has been legally authorized and continuously provided for at least two years prior to the date of the request.

A branch campus of an eligible proprietary institution or postsecondary vocational institution seeking status as a main campus or freestanding institution is subject to the two-year rule. It must be designated as a branch campus for two years after certification as such by the Department before it can seek certification as a main or freestanding school.

An additional location must obtain approval from the Department to become a branch campus. A branch campus then must satisfy the two-year rule before it may be considered for status as a freestanding institution. Time at an additional location of an eligible proprietary institution or postsecondary vocational institution does not count toward the two years.

### Limitation on students admitted without HS diploma or equivalent

A school that admits students who do not have a high school diploma nor its recognized equivalent has some additional considerations. A waiver of this limitation is possible for some schools. See the discussion under *Limitation on students without HS diploma or equivalent.*

### Students without high school diploma or equivalent, related topics

See *Chapter 2* for transition programs for students with intellectual disabilities. For remedial coursework and students with intellectual disabilities, see also *Volume 1, Chapter 1.*

### Branch campus

A branch campus is a location of a school that is geographically apart and independent of the main campus of the school. A location is considered to be independent of the main campus if the location:

- is permanent in nature;
- offers courses in educational programs leading to a degree, certificate, or other recognized educational credential;
- has its own faculty and administrative or supervisory organization; and
- has its own budgetary and hiring authority.

### Citations

Branch campus  
34 CFR 600.2 and 600.8  
Additional location  
34 CFR 600.32

---

### Notifying ED of changes to school's E-App information

If there is a change to any of a school's answers to the Yes/No questions in Section G of a submitted Electronic Application (E-App), which deal with enrollment thresholds for the limitations below, the school must notify the Department via the E-App (see *Chapter 5*). The Department will advise the school of its options, including whether the school might be eligible for a waiver. Waivers are available for the correspondence student limitation, the incarcerated student limitation, and the limitation on students without a high school diploma or equivalent.  
34 CFR 600.7(h)

---

### Conditions of institutional ineligibility

34 CFR 600.7

---

### Prohibition on employment of individuals who have misused government funds

A school may not have as principals or employ or contract with other organizations that employ individuals who have engaged in the misuse of government funds.  
See *Chapter 3* for details.

## FACTORS LEADING TO LOSS OF ELIGIBILITY

### Limitations

An otherwise eligible institution becomes ineligible if it violates, among other requirements,

- the 50% limit on students without a high school diploma or equivalent (for schools that don't offer a 4-year bachelor's degree program or a 2-year associate degree program),
- the incarcerated student limitation (25%), or
- the correspondence course limitation (50%) or correspondence student limitation (50%).

The school must demonstrate compliance with these limitations, and its calculations must be attested to by the independent auditor. *Chapter 4*, which describes FSA audit requirements, discusses the calculations in more detail and how the school must notify the Department of a failure to meet any of these requirements.

### Bankruptcy or crimes involving FSA programs

A school is not eligible if it files for relief in bankruptcy or has entered against it an order for bankruptcy. The school is also ineligible if either of these circumstances apply to an affiliate of the school that has the power, by contract or ownership interest, to direct or cause the direction of the management of policies of the school.

A school also loses eligibility if it, its owner, or its executive officer has

- pled guilty or *nolo contendere* to, or is found guilty of, a crime involving the acquisition, use, or expenditure of FSA program funds; or
- been judicially determined to have committed fraud involving FSA program funds.

If a school becomes ineligible for any of these reasons, it must notify the Department of the change within 10 days. A school that becomes ineligible because of one of these factors must immediately stop awarding FSA funds and must follow the requirements for a school that has lost its FSA participation (see *Chapter 9*). The loss of eligibility is effective as of the date of the bankruptcy or the date the school or individual pleads guilty to, or is found responsible for, the crime, as applicable. A loss of eligibility for these two reasons is permanent—the school's eligibility cannot be reinstated.

## CRITERIA TO PARTICIPATE IN TEACH GRANT PROGRAM

Eligibility for the Teacher Education Assistance for College and Higher Education (TEACH) Grant program is not automatically extended to an FSA-eligible postsecondary school. A school qualifies as a "TEACH Grant-eligible institution" if it offers a high-quality teacher preparation program at either the baccalaureate or masters level and provides supervision and support services to teachers (or assists in the provision of such services). The teacher preparation program must

- be accredited by a specialized accrediting agency recognized by the Department for the accreditation of professional teacher education programs, or
- be approved by a state and provide extensive pre-service clinical experience.

If a school does not have a teacher preparation program, it can qualify for TEACH grants if it

- provides one or more 2-year programs of study that are acceptable for full credit to either a baccalaureate teacher preparation degree program or a baccalaureate degree program in a high-need field at another TEACH-eligible school with which it has an agreement;
- offers a baccalaureate degree that, in combination with other training or experience, will prepare a student to teach in a high-need field and has an agreement with another institution that offers a teacher preparation program or a post-baccalaureate program that prepares students to teach; or
- offers a postbaccalaureate program that prepares students to teach.

## APPLYING AS AN ELIGIBLE NONPARTICIPATING SCHOOL

Some schools choose to establish their eligibility for FSA programs but elect not to participate in them because designation as an eligible institution qualifies a school or its students to take advantage of non-FSA programs or benefits, such as the American Opportunity and Lifetime Learning tax credits. In addition, only students attending eligible institutions qualify for in-school deferments of payments on their federal education loans.

A school wishing to be designated an eligible nonparticipating institution may submit an E-App to the Department at any time. The application must be materially complete.

The Department will contact the school, generally within 90 days of receiving the application, if it has additional questions. If the Department approves the school's application, it will send an electronic notice to the president and financial aid officer notifying them that the school is eligible and that its approval letter and ECAR must be printed and maintained. If the Department does not approve the school's application, it will notify the school and explain why.

## WITHDRAWAL RATES

New schools (schools that seek to participate in an FSA program for the first time) must have an undergraduate withdrawal rate for regular students of no more than 33% during the school's latest completed award year.

When calculating the withdrawal rate, the school must include all regular, enrolled students. The definition of enrolled does not require either payment of tuition or class attendance; therefore, the withdrawal rate calculation must include enrolled students who have not yet paid tuition or who did not actually begin attending classes.

### TEACH grant eligibility

Recognized agencies for the accreditation of professional teacher education programs include the Teacher Education Accreditation Council (TEAC) and National Council for Accreditation of Teacher Education (NCATE). Note: On October 22, 2010, TEAC and NCATE agreed to merge as the Council for the Accreditation of Educator Preparation (CAEP). GEN-08-07  
34 CFR 686.2  
34 CFR 686.4

### TEACH Grant Program

34 CFR Part 686

---

### “Enrolled” for purposes of withdrawal rates

A student enrolls when he or she completes the registration requirements (except payment of tuition and fees) at the school.

Correspondence students are enrolled if they have been admitted to the program and have submitted one lesson (that was completed without the assistance of a school representative).

A student is considered to have withdrawn if he or she officially withdraws, unofficially drops out, is expelled from the school, or receives a refund of 100% of his or her tuition and fees. A student who withdraws from one or more courses or programs but does not withdraw entirely from the school does not meet the definition of withdrawn. Instead, this action is considered a change in enrollment status (e.g., the student reduced his credit hours from 12 to 6).

## THE PROGRAM PARTICIPATION AGREEMENT

To participate in the FSA programs, a school must have a current Program Participation Agreement (PPA), signed by the school’s president or chief executive officer and an authorized representative of the Secretary of Education.

### *Purpose and scope of the PPA*

Under the PPA, the school agrees to comply with the laws, regulations, and policies governing the FSA programs. After being certified for FSA program participation, the school must administer FSA program funds in a prudent and responsible manner. A PPA contains critical information: in addition to the effective date of a school’s approval, the date by which the school must reapply for participation, and the date on which the approval expires, the PPA lists the FSA programs in which the school is eligible to participate.

### *Expiration or termination of the agreement*

Either the school or the Department may terminate the Program Participation Agreement. The agreement automatically terminates if the school loses eligibility.

A school’s Program Participation Agreement expires on the date that

- the school changes ownership that results in a change in control (see *Chapter 5*),
- the school closes or stops providing educational programs for a reason other than a normal vacation period or a natural disaster that directly affects the school or its students (see closure procedures in *Chapter 9*),
- the school ceases to meet the eligibility requirements (see *Chapter 4* and “Factors Leading to Loss of Eligibility” in this chapter),
- the school’s period of participation expires, or
- the school’s provisional certification is revoked (see *Chapters 4, 5, and 9*).

A school’s PPA no longer covers an additional location as of the date on which that location ceases to be a part of the school.

---

### Program Participation Agreement

Sec. 487 of the HEA

34 CFR 668.14

20 U.S.C. 1085, 1088, 1091, 1092, 1094, 1099a-3, 1099c, and 1141

---

### Programs covered by the PPA

An eligible school must enter into a PPA with the Department to participate in the following programs:

- Federal Pell Grant
- Iraq and Afghanistan Service Grant\*
- TEACH Grant
- Federal Supplemental Educational Opportunity Grant (FSEOG)
- Federal Work-Study (FWS)
- Federal Perkins Loan
- Federal Direct Loan Program (DL)

\* A school that is certified for Pell Grant purposes is considered to be certified for the Iraq and Afghanistan Service Grant program.

## Selected provisions of the Program Participation Agreement

Most of the provisions of the Program Participation Agreement (PPA) are discussed in detail in *Volume 2* and other volumes of the *Federal Student Aid Handbook*. In this section, we highlight some of the general school requirements in the PPA that may not be as familiar to financial aid professionals.

Note that the PPA may list additional requirements that are school-specific; schools must carefully review all of the requirements listed on their PPA.

### **General Terms & Conditions**

- The school certifies that it will comply with
  - a. Title VI of the Civil Rights Act of 1964, as amended, barring discrimination on the basis of race, color, or national origin;
  - b. Title IX of the Education Amendments of 1972, barring discrimination on the basis of sex;
  - c. The Family Rights and Privacy Act of 1974 (see *Chapter 9*);
  - d. Section 504 of the Rehabilitation Act of 1973, barring discrimination on the basis of physical handicap (34 CFR Part 104); and
  - e. The Age Discrimination Act of 1975 (34 CFR Part 110).
- The school acknowledges that the Department, states, and accrediting agencies may share information about the school without limitation.
- The school acknowledges that the school must, prior to any other legal action, submit any dispute involving the final denial, withdrawal, or termination of accreditation to initial arbitration.

### **General Provisions**

- The school will use funds received under any FSA program, as well as any interest and other earnings thereon, solely for the purposes specified for that program.
- If the school is permitted to request FSA program funds under an advance payment method, the school will time its requests for funds to meet only the school's immediate FSA program needs (see *Volume 4, Chapter 2*).
- The school will not charge for processing or handling any application, form, or data used to determine a student's FSA eligibility (see *Chapter 3*).
- The school will establish administrative/fiscal procedures and reports that are necessary for the proper and efficient management of FSA funds, and it will provide timely information on its administrative capability and financial responsibility to the Department and to the appropriate state, guaranty, and accrediting agencies (see *Chapter 8*).
- The school must acknowledge the authority of the Department and other entities to share information regarding fraud, abuse, or the school's eligibility for participation in the FSA programs (see *Chapter 9*).
- The school must, in a timely manner, complete reports, surveys, and any other data collection effort of the Department including surveys under the Integrated Postsecondary Education Data System (see *Chapter 8*).
- The school cannot penalize in any way a student who is unable to pay school costs due to compliance with the FSA program requirements or due to a delay in an FSA loan disbursement caused by the school.

## Selected provisions of the Program Participation Agreement, continued

- The school must comply with the program integrity requirements established by the Department, state authorizing bodies, and accrediting agencies (see *Chapter 9*).
- The school is liable for all improperly administered funds received or returned under the FSA programs, including any funds administered by a third-party servicer (see *Chapter 3*).
- If the stated objectives of an educational program offered by the school are preparing students for gainful employment in a recognized occupation, the school will
  - a. demonstrate a reasonable relationship between the length of the program and entry level requirements for the recognized occupation, and
  - b. establish the need for the training for the student to obtain employment in the recognized occupation for which the program prepares the student.

### **Certifications**

Three certifications are included in the PPA:

- Lobbying; Debarment, Suspension, and other responsibility matters; and Drug-Free Workplace Requirements (see *Chapter 8*).
- Drug Prevention Certification (see *Chapter 8*).
- Certification regarding Debarment, Suspension, Eligibility, and Voluntary Exclusion—lower tier covered transactions.

### **Direct Loans**

- The school will not charge any fees of any kind to student or parent borrowers for loan application, origination activities, or the provision and processing of any information needed to receive a Direct Loan.
- The note or evidence of obligation of the loan shall be the property of the Secretary.
- The school accepts responsibility and financial liability stemming from its failure to perform its functions under this Program Participation Agreement.

### **Additional requirements**

In addition to the requirements listed on the PPA, a school must meet any requirements for participation in the General Provisions (34 CFR Part 668), as well as those specific to an individual FSA program.

- \* FEDERAL PELL GRANT PROGRAM, 20 USC 1070a et seq; 34 CFR Part 690.
- \* FEDERAL DIRECT STUDENT LOAN PROGRAM, 20 USC 1087a et seq; 34 CFR Part 685.
- \* FEDERAL PERKINS LOAN PROGRAM, 20 USC 1087aa et seq; 34 CFR Part 674.
- \* FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM, 20 USC 1070b et seq; 34 CFR Part 676.
- \* FEDERAL WORK-STUDY PROGRAM, 42 USC 2751 et seq; 34 CFR Part 675.

These requirements are discussed in the *Application and Verification Guide* and volumes 1–6 of this *Federal Student Aid Handbook*.